

## Message Text

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ORIGIN EB-11

INFO OCT-01 EA-11 ADP-00 CEA-02 CIAE-00 COME-00 DODE-00

FRB-02 H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10

PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08 TAR-02

TRSE-00 USIA-12 PRS-01 OMB-01 /131 R

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R 111232Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

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E.O. 11652 N/A

TAGS: EIND, ETRD, KS

SUBJECT: KOREAN REACTION TO LIMITATION OF US FERROUS SCRAP  
EXPORTS

REF: SEOUL 4336

1. MINISTER CHOON TAIK CHUNG CALLED ON DEPARTMENT OFFICE  
JULY 6 TO EXPRESS ROKG CONCERN OVER ANNOUNCEMENT US EXPORT  
LIMITATION ON FERROUS SCRAP. ACCORDING TO CHUNG, VIABILITY  
OF POHANG MILL WILL BE SERIOUSLY THREATENED IF SUPPLY OF  
5(RAP-SOURCES  
SCRAP FROM US CURTAILED. THERE ARE NO ALTERNATIVE SCRAP  
SOURCES AVAILABLE. EUROPEANS ALREADY HAVE EMBARGO ON  
EXPORTS. VIETNAM AND AUSTRALIA CANNOT POSSIBLY ACCOMMODATE  
DEMAND FOR SCRAP FROM KOREA, TAIWAN, JAPAN AND OTHER  
COUNTRIES WHICH ALSO WILL BE AFFECTED BY US ACTION. ROKG  
ALREADY HAS HEARD THAT AUSTRALIAN GOVERNMENT IS CONSIDERING  
AN EMBARGO ON FERROUS SCRAP EXPORTS IN ORDER TO ENSURE  
SUFFICIENT SCRAP FOR ITS STEEL INDUSTRY.

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2. CHUNG STATED THAT ORDERS FOR 220,000 METRIC TONS HAD BEEN PLACED IN US BEFORE JULY 1 FOR JULY-DEC 1973 EXPORT AND HE WONDERED IF THESE ORDERS WOULD BE SHIPPED. HE WAS INFORMED THAT EXPORT LICENSES WOULD BE GRANTED FOR SHIPMENTS OVER 500 SHORT TONS WHICH ARE SCHEDULED FOR DELIVERY IN JULY. LICENSING POLICY FOR ORDERS FOR DELIVERY AFTER JULY 31 WILL BE ANNOUNCED AT A LATER DATE. UNTIL FURTHER

NOTICE, LICENSES VALID FOR PERIOD OF 21 DAYS WILL BE ISSUED AGAINST ORDERS FOR LESS THAN 500 SHORT TONS, REGARDLESS OF WHEN THESE ORDERS WERE ACCEPTED. CHUNG ALSO ASKED IF THERE WAS ANY POSSIBILITY OF FILLING REMAINING ESTIMATED KOREAN SHORTFALL OF 250,000 METRIC TONS IN CY 1973 FROM US SOURCES. DEPTOFF WAS NOT ABLE TO OFFER MUCH ENCOURAGEMENT, POINTING OUT THAT THERE ARE NO PLANS TO ISSUE EXPORT LICENSES FOR ORDERS ACCEPTED AFTER JULY 1 IRRESPECTIVE OF MONTH OF DELIVERY. IN FACT, SCRAP SITUATION IN US IS SO CRITICAL THAT IT MAY NOT BE POSSIBLE TO ISSUE LICENSES FOR ALL ORDERS ACCEPTED BEFORE JULY 1 AND SCHEDULED FOR POST-JULY DELIVERY. USG HOPES TO ANNOUNCE SHORTLY LICENSING POLICY FOR POST-JULY SHIPMENTS. (FYI. POLICY ON POST-JULY SHIPMENTS WILL DEPEND LARGELY ON EXTENT AND EFFECTIVENESS OF JAPANESE DEFERMENT OF SUBSTANTIAL ORDERS SCHEDULED FOR SHIPMENT IN AUGUST AND SUBSEQUENT MONTHS. TOTAL SCRAP ORDERS ON US BOOKS FOR AUGUST SHIPMENT 1,332,000 NET TONS, INCLUDING 801,000 TONS FOR JAPAN; TOTAL FOR SEPTEMBER SHIPMENT IS 858,000 TONS, INCLUDING 578,000 FOR JAPAN. COMMERCE ESTIMATES THAT BY END JULY APPROXIMATELY FOUR MILLION TONS WILL HAVE BEEN EXPORTED TO JAPAN. RECENT GOJ ANNOUNCEMENT LIMITING CY 1973 SCRAP EXPORTS FROM US TO FIVE MILLION NET TONS AND SPREADING IMPORTS THROUGHOUT REMAINDER OF YEAR WOULD INDICATE AUG-DEC MONTHLY IMPORTS AVERAGING 200,000 TONS PER MONTH. END FYI)

3. IT WAS POINTED OUT TO CHUNG THAT JAPANESE ORDERS ON BOOKS FOR JULY-DEC SHIPMENTS INCLUDED SOME 500,000 NET TONS PURCHASED BY JAPANESE TRADING COMPANIES BUT DESTINED FOR THIRD COUNTRIES, PARTICULARLY TAIWAN AND KOREA. THUS TOTAL EXPORTS TO KOREA COULD BE SUBSTANTIALLY LIMITED OFFICIAL USE

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HIGHER THAN 339,000 NET TONS SHIPPED DURING PERIOD JANUARY-JUNE AND 220,000 NET TONS ON ORDER FOR JULY-DEC DELIVERY. CHUNG STATED THAT HE DOUBTED THAT SIGNIFICANT PART OF 500,000 NET TONS WAS DESTINED FOR KOREA BUT HE AGREED TO TRY TO OBTAIN INFORMATION ON THIS POINT FROM SEOUL.

4. DEPT OFF GAVE CHUNG BUREAU OF THE CENSUS DATA WHICH

SHOWED THAT PRC IMPORTED ONLY 191,000 NET TONS FERROUS  
SCRAP FROM US DURING PERIOD JANUARY-JUNE 1973 BUT  
ORDERS ON HAND FROM PRC FOR JULY-DEC 1973 SHIPMENT TOTAL-  
LED 619,000 NET TONS. AS EMBASSY POINTED OUT IN REFTTEL,  
PRC IMPORTS IN SECOND HALF OF FY 1973 WOULD, IF LICENSES  
WERE GRANTED, REPRESENT NOT ONLY GREATEST BUT ALSO ONLY

SIGNIFICANT INCREMENTAL INCREASE AMONG MAJOR IMPORTERS.  
GHUNG, HOWEVER, DID NOT COMMENT ON DATA FOR PRC. ROGERS

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